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The President's Scratch-Pad

Measure Performance—Not the Man

EVERYONE can be affected in his judgment of others by "little" people—people who hold unimportant jobs but who have influence that derives from their proximity to the seat of power—little people who work hard at trying to guide the destiny of their associates. They can be difficult and sometimes dangerous, even though they are not apparently bad or ill-natured. "Little" is the only word that describes them.

One company that decided to take an audit of its executive personnel discovered that a large number of hirings and promotions had been almost entirely influenced by the secretary of the former president. Here is a reason why top management people especially should, in justice to themselves, their companies, and their fellow executives, become interested in the possibilities of executive rating.

The secretary in the above case is a typical example, but company presidents are not the only ones who fall into the wiles of little people. A subordinate who becomes close to the foreman may influence the foreman very considerably in his judgment of others in the group. The same could happen to all individuals in the managerial range, from top to bottom. The little people can use the slighting remark, the deprecatory smile, or the lifted eyebrow like the court politicians in the days of kings. Always they are so skilled in their art that they never for an instant allow the leader to suspect that he is being influenced by them or

taking their advice. Sometimes all this is done without any conscious motive of profit or self-advancement. They are simply fascinated by the sport of watching the effect of their machinations on their fellow employees and associates.

There is some of this element of littleness in everyone. We all have a propensity for taking unreasonable likes and dislikes toward other people, and in management this is bound to affect our relationships with other executives and cloud our judgment of them.

The orderly rating and measurement of executive performance is one of the greatly neglected areas of management. Yet it has an enormous potential for managerial improvement. Most management inefficiencies and the greatest percentage of management difficulties of all sorts begin with the personal inefficiency of executives and supervisors. On the other hand, most of management's accomplishments develop out of the alertness, initiative, and consistently good performance of individuals.

The average American company makes little effort to judge objectively the caliber of its executive personnel. Many of the judgments are arbitrary and frightfully haphazard. Promotions are often on a basis of hearsay and highly subjective estimates of the characters of the individuals concerned.

When it is suggested that rating be installed in a company, the top executives sometimes feel affronted because this implies that their actions concerning the selection and promotion of indi-

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TRENDS IN BUSINESS

GENERAL OUTLOOK

When commodity prices broke early in February, a great many people hastily concluded that the business boom was due for a sudden collapse. As prices leveled off, even rose again to some extent, pessimism became less pronounced, and many suggested that the drop represented merely a healthy adjustment in some badly out-of-line segments of the economy.

So far, in fact, business activity as a whole does not seem to have been adversely affected to any great extent. Industrial production was off somewhat in both January and February, but this is attributed more to bad weather than anything else—and the rather disappointing showing made by department store sales in the week following the break was laid to the same cause. Lower farm prices mean less income for the farmer, but farm bank accounts and bond holdings are high, and mortgage debt is low in comparison with farm land values.

There is not enough evidence in as yet, however, to gauge the psychological effect of the break—on farmers, consumers in general, and business men. Sharp curtailment of business expenditures for new plant and equipment could knock an important prop from under the economy. Another important thing to watch is the employment figure. There was a seasonal drop in the number of jobs from December to January, but since it was accompanied by some contraction of the labor force, it did not increase unemployment very greatly. What happens this spring will, however, be more significant.

DISTRIBUTION

Dollar volume of department store sales, in the week ending February 14, was 3 per cent under the figure for the

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Trends in Business

(Continued)

corresponding week of last year. The following week, the dollar figure showed a 15 per cent advance over 1947, but in view of the fact that there were six shopping days this year, as against five last year, the showing did not represent a real advance.

Total retail volume still compares favorably with 1947 figures in dollars, but unit sales are down considerably. Growing caution is reported in wholesale markets.

PRODUCTION

Industrial production during January and the early part of February declined somewhat from the postwar highs, largely as a result of bad weather. Heavy snow and low temperatures limited the fuel supplies available for industrial use, sharply curtailed outdoor work, and frequently delayed shipments of raw materials and finished goods.

FARM INCOME

Both farm purchasing power and farm land values are expected to recede somewhat as a result of the recent break in the prices of agricultural commodities.

In 1947, farm income topped \$30 billion, a rise of nearly 20 per cent over 1946; but despite this fact, the farmers' purchasing power fell off slightly—by .9 per cent—because of increases in the prices of other goods.

Farm land values are now nearly double the 1935-39 figure, a rise greater than that recorded from 1914 to 1920. The mortgage situation is, however, much better than it was after World War I. Farm mortgages now total only about \$5 billion, in contrast to nearly \$11 billion in the earlier period.

CONSTRUCTION

Building permit values in January, Dun & Bradstreet reports, were the highest for any January on record, and 83 per cent over the corresponding month of 1947. This marked the eighth consecutive month in which values have exceeded totals for the same month of the previous year.

SOURCES:

ALEXANDER HAMILTON INSTITUTE
BROOKMIRE, INC.
BUSINESS WEEK
CLEVELAND TRUST COMPANY
DUN'S REVIEW
FEDERAL RESERVE BANK OF
NEW YORK
NATIONAL CITY BANK

The Listening Post

Industry councils • The industry council proposal sponsored by Philip Murray, which was mentioned in last month's issue of the Listening Post, has very grave implications for the country, a correspondent points out.

The plan calls for the establishment of a council for each industry, composed of representatives of labor, management and government. "I have read," this man says, "as many of the releases on these proposals as I have been able to trace, and my conclusion is that the plan is indistinguishable from the 'corporative state.' This device, which turned out to have major political and social results, was the economic rig upon which Fascist control of the economy was established in Italy and Nazi control in Germany. A warped but recognizable form was used in military control of Japanese industry prior to the war.

"Probably the plan is advocated by some in the belief that it is a mild Socialistic invention. However, economic history in the three countries mentioned would indicate it to be anything but mild in its results."

Profit-sharing • Since profit-sharing plans provide little direct financial incentive for the rank and file, many managements have been inclined to doubt their value except where they apply only to policy-making executives.

Walter H. Wheeler, Jr., President of Pitney-Bowes, which has had a company-wide plan for 12 years, accepts the premise, but takes issue with the conclusion. The purpose of profit-sharing, said Mr. Wheeler, who spoke on his company's plan at the Chicago Personnel Conference, is not so much to provide direct financial incentive as to convince employees that they are a part of the business, not merely the hired help. "It seems to me," he pointed out, "that without demonstrable cash support for this concept, the job of building good industrial relations is far more difficult than it need be."

Pitney-Bowes' plan is unusual in that there is no specific formula for the division of profits. The directors have pledged themselves, however, to consider a wage and salary dividend every time they consider one for the stockholders. The company explains to employees that the first call on its income

is for salaries and wages—that it must pay a good going rate whether there are any profits or not. Then, if it has enough left over after taking care of other expenses, and the future needs of the business, it must pay stockholders a good going rate for the use of their money.

Anything over and above these needs is shared by stockholders and employees. If the "extra" is largely the result of increased employee efficiency, it is considered evidence that employees should have a proportionately larger share. If, on the other hand, the increase results from new risks and developments, the stockholders are deemed entitled to a larger share. "Stockholders are not paid dividends by formula," Mr. Wheeler said, "and I see no fundamental reason why a profit-sharing plan for employees requires one."

Foremen • A perennial question at AMA conferences—asked of nearly every speaker who touches on supervisory relationships—is: "How many employees should a foreman supervise?"

Since conditions vary so widely from industry to industry, and from company to company, most speakers are naturally reluctant to give a definite answer. At the recent Mid-Winter Personnel Conference in Chicago, however, Clark Kerr of the University of California, who has been studying causes of industrial peace, reported that a high ratio of foremen appears to be one factor in good relations. At the Crown-Zellerbach Company, which, Mr. Kerr found, has a particularly good record, there is one working foreman for every seven employees, and one non-working foreman or supervisor to every 15 or 20 employees.

This high ratio was instituted originally because of technical conditions in the industry, but it has subsequently been discovered that it makes for better relations generally.

Personnel inventory • A small item in last month's Listening Post regarding one company's system of personnel inventory has prompted a number of inquiries to AMA. Because of the interest shown, a complete account of the system used will be published in a forthcoming issue of *Personnel*.

JAMES O. RICE

RESEARCH DEPARTMENT

Foremen Plan Own Training Program

A growing trend in foreman training has been to allow the foremen themselves a voice in deciding on the subjects to be taught and the method of instruction. A particularly successful example of this is International Harvester's new course, for which a committee of foremen selected the topics, drew up the schedule, and specified the type of instructor.

International Harvester has for some time been conducting a Central School in Chicago for salesmen and other groups, and manufacturing divisions had asked that a comparable plan be instituted for their foremen. The story of how that plan was developed is given below.

Six foremen, selected by the line, and each coming from a different manufacturing division, were detached from their jobs, brought in to Chicago to formulate the training program. They were told that they had full freedom to make recommendations and that they could turn to any source for help. Also, they were made well aware that the representative of the headquarters training staff assigned to work with them was there to assist them and not to shape their thinking.

DEVELOPING THE PLAN

The Planning Committee began its work August 18, 1947, and completed it in six weeks. Members drew up a work plan which was to: (1) list the foremen's problems and responsibilities; (2) classify these into areas of knowledge; (3) determine the subjects to be studied in each area; (4) develop main teaching points for each subject; and (5) suggest ways of making each interesting and effective.

As they broke their problems down, they came up with a detailed list of 43 duties and responsibilities ending with the phrase "and many more." Then they decided that the basic knowledge a foreman should have to meet these responsibilities could be grouped into five areas: human relations, personal development, company operations, economics, and technical operations.

As a consequence, they decided to get at the fundamentals instead of setting up a program of instruction for each of their specific duties and responsibilities. For example, in the area of human relationships, they recommended study

of: (1) human behavior; (2) how people learn; (3) union-management relationships; (4) how to build a team; (5) race relations; and (6) Federal legislation.

ECONOMICS STRESSED

Since they saw their company as an integral part of the American economic system, they decided that every foreman should have an understanding of fundamental economic principles and of how they affect his company's business and his own job. Subjects recommended were the American competitive system, basic laws of economics, the company's financial structure and annual report, origin and growth of the company. The other areas of personal development and of company operations were approached similarly, but committee members concluded that the study of technical operations and procedures could be presented at the Works level, where specific, local information could be given.

They next agreed on the time to be allocated to each subject, and came out with a total of 120 hours, or a three weeks' training course.

General recommendations included: that all Works managerial personnel from assistant foremen through general foremen should be enrolled in the Central School; that age should be no restriction, except that the local Works management should decide on inclusion of a foreman nearing retirement; that each group attending should, insofar as possible, represent the same level of authority and should be drawn from as many different Works as practical; that a condensed preview should be given at the Central School to all Works managers so that they would be fully informed and thus enabled to orient their own foremen before enrollment and review the course with them after its completion.

OTHER RECOMMENDATIONS

The committee members wanted instructors who would talk the foremen's language. They believed that in most cases these men should have manufacturing backgrounds but that some could be drawn from the Central School, the general office staff, or a university faculty, depending upon the subject to be taught. They recommended group

participation through question and answer periods, that tests be given, and that "the most effective measures of obtaining ideas and reactions from foremen should be set up." For this last, they believed an unsigned questionnaire suitable.

They wanted a graduation exercise in the form of a dinner meeting, with diplomas, and a speaker representing top management. Where possible, they recommended that this ceremony be combined with that for the sales group.

PLAN ADOPTED

Top management approved and the headquarters training staff immediately began to carry out the plan; details were worked out, the teaching staff selected from the fields recommended, and the Works managers brought in for a two-day preview.

The fourth group of foremen is now in attendance, and there is every indication that interest and enthusiasm run high. Each manufacturing division is given a quota for each three weeks' course. The groups run from around 30 to about 45.

Before the man leaves his plant the Works manager talks with him and gives him a "kit," supplied by the Central School, containing information about the school, his specific courses, the instructors, etc. He is expected to arrive on a Sunday and when he reaches the hotel where the group is housed, he is met by a member of the Central School staff and made to feel welcome at once.

The questionnaire, recommended by the Planning Committee, is given to the men during the first week so that they have plenty of time to mull it over and check their reactions carefully.

They are expected to express themselves frankly throughout and to give both general and specific reactions. Among other things, they are asked to "List the three *most* important problems which you face at the present time in your job." "What is the *most* important problem which you believe you will face during the next few years when business conditions return to normal?" And, then, "List the *most* important problems connected with your job on which the course has failed to help you."

On the basis of their recommendations, changes are already being made, e.g., the time given to the economics section—taught by a university professor—has been increased from four to six hours, and that devoted to the analysis of the organization decreased from four to two hours.

ACTIVITIES of the AMA

Two-Day Marketing Conference to Stress Research, Coordination of Activities

Sessions to be Held in New York City on March 18 and 19

Representatives of leading companies will report on methods of achieving more effective marketing operations at lower cost at a two-day Marketing Conference to be sponsored by AMA, March 18-19, at the Hotel New Yorker, New York City.

Since the program is designed to cover the over-all marketing operation—from the decision to produce the product to the final sale—one entire session will be devoted to market research. Wallace T. Montague, Vice President, Norton Company, will discuss the subject from the viewpoint of the industrial marketer, and D. S. Frost, Manager, Marketing Research, Bristol-Myers, will speak on research in the consumer field. In addition, there will be an address on "Translating Market Research Data into Action," by Frederick B. Heitkamp, Vice President, ATF, Inc.

Other sessions will deal with subjects as "Measuring the Effectiveness of Salesmen," "Sales Budgets," "Cutting Marketing Costs," and "Sales Responsibility for Inventory."

Speakers will include: Don G. Mitchell, President, Sylvania Electric Products; R. H. Moulton, Director, Market Research, General Foods; William Rados, Sales Training Consultant; J. L. Singleton, Vice President and Director of Sales, General Machinery Division, Allis-Chalmers; H. E. Campbell, Director of Personnel and Training, Typewriter Division, Remington Rand; Murray Shields, Vice President, Bank of the Manhattan Company; John B. Thurston, Wallace Clark & Company; John R. Gilman, Vice President, Advertising, Lever Brothers; and S. V. Reiss, Manager, Commercial Research Department, Graybar Electric Company.

W. E. Jones, Vice President, Scranton Lace Company, and AMA Vice President for the Marketing Division, is in charge of the program.

Production Conference To Be Held in Chicago

The Association's Spring Production Conference, May 13-14, will be at the Palmer House, Chicago. This is a change from the original schedule last fall, when it was announced that the sessions would be held in Detroit.

The President's Scratch-Pad

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viduals have not been all they should be. They pride themselves upon their ability to judge men objectively.

A rating plan, however, need not necessarily supplant the judgment of a top executive; rather it is intended to supplement his judgment and to give him some stars to steer by in estimating the value of individuals to his organization. It is intended to bring group judgments to bear upon the critical process of executive advancement. Fundamentally, objective rating calls for good judgment of people as much as it calls for objectivity. It is intended to protect us from the littleness in ourselves and from the influence of little people.

It might be possible, also, that in attempting to work toward executive rating scales, we would find that some of the "intangibles" involved in executive competence are not really so intangible after all.

An executive, let us say, needs "a good personality." The key question here is not—though it is often taken to be—"Does the boss like him well enough to want him for a friend outside business hours?" It is, rather, "What does he need personality for?" The answer can only be: to get along with customers, or with his associates, or with the men under him. And there are certain more or less objective measures which will show whether or not he meets these tests.

Or take the matter of judgment. If a man has poor judgment, there should be a sufficient number of instances available to prove it—not just instances where he disagreed with someone higher in authority, but cases in which his judgment ruled and proved mistaken. And these should be more than one or two.

Admittedly, the more complicated the job, the more difficult it is to evaluate the incumbent. But it can be done, I

Packaging Show Will be Largest In AMA History

The 17th annual AMA Packaging Exposition, to be held in the Public Auditorium in Cleveland, April 26-30 will be the largest in the history of the event. Approximately 200 exhibitors will utilize 100,000 feet of floor space to display machinery, materials, designs and services used in the packaging industry.

Heretofore, the Exposition has been a four-day event, but an extra day was added to this year's schedule at the request of exhibitors, who found that the trade attendance of 16,000 at last year's show in Philadelphia made it difficult to take care of all the visitors to their booths.

The Packaging Conference, held in conjunction with the show, has also been extended, will be continued for four days, instead of three as in the past—from April 26 to 29. Sessions will, however, be held only in the morning, in order that those attending may have more time to visit the exhibits.

Featured at the Conference will be two "clinics" or panel sessions, one on shipping containers, and the other on consumer packaging. At the latter, slide films will be shown of packages on display in a grocery store, and a panel—which will include a package designer, a psychologist, and a consumer—will discuss the reasons why some are more effective than others.

Other subjects to be discussed include: the outlook for materials; packaging specifications, printing, plastic bonds, packaging machinery maintenance, packaging furniture, packing for export, Rule 41, and packaging of perishables.

am convinced, if enough good minds are brought to bear on the problem. And even the most approximate approach to an objective rating is better than the casual judgment of the little people, who have no goal but manipulation of their associates or furtherance of their own advancement at the expense of others.

Alvin E. Dodd

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